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Brussels, 1 April 2025

Subject: Request for a comprehensive review of ESG-related financial sector regulation to ensure consistency with the Omnibus and effectiveness of simplification efforts

Dear Madams, Dear Sirs,

We very much welcome the Omnibus simplification initiative, which will significantly reduce the reporting obligations of EU companies. However, for the simplification **to be really effective, it must be fully reflected in both the regulatory requirements for banks and supervisory expectations**. Otherwise, the intended simplification efforts will not fully materialize - on the contrary, financial institutions will need to gather information required by other pieces of regulation or expected to be collected by supervisors in other, less standardized ways (including bilaterally from their clients). We would also encourage financial sector regulations to reflect the simplification efforts and reduced scope of the Omnibus initiative, which offers relief to smaller entities including banks in the context of the CSRD.

As the sustainability omnibus initiative progresses, the financial sector ESG-related regulatory and supervisory framework (including CRR and CRD) needs to be reviewed to ensure consistency and that the obligations for financial institutions fully reflect the availability of the data reported by companies.

We would appreciate a ***timely public communication from the European Commission envisaging a comprehensive revision of financial sector's ESG related legislation/regulation*** *(including CRR3 and CRD6 and related levels 2 and 3)* ***for consistency with the CSRD/CSDDD and the simplification efforts of the European Commission.***

Suspension of the application of certain provisions of the regulatory framework for credit institutions

Pending such a comprehensive review, we believe it is necessary to suspend or amend the application of certain provisions of the regulatory framework for credit institutions that will be directly impacted by the Omnibus amendments.

As it currently stands, credit institutions are required to report information on their financing of activities that are taxonomy aligned twice: once under the Taxonomy Regulation Article 8 Disclosures Delegated Act (DDA) and then under Article 449a of the CRR (ITS on Pillar 3 Disclosures on ESG Risks). The disclosure requirements are similar but not identical and are becoming more divergent over time.

As proposed in the revised DDA issued as part of the Omnibus package, banks will be reporting the Green Asset Ratio for financial year 2024 based on the original (currently applicable) text of the Taxonomy Regulation Article 8 DDA, and with diverging templates in Pillar 3 reports for mid-2025 based on the ITS on Pillar 3 Disclosures on ESG Risk (Pillar 3 ESG ITS), in 2026 (for financial year 2025) probably based on the revised DDA (which is envisaged only as a temporary solution) and the P3 ESG ITS , and once the more comprehensive review announced with the Omnibus proposals is finalized, based on the final version of the Green Asset Ratio requirements and again Pillar 3 ESG ITS. This will not only be complex but also hinder comparability both between reporting entities and within reporting entity over different periods.

As an overall principle, information should be reported only once - in this case, only under the Taxonomy Article 8 DDA.

While the temporary initial simplification proposed in the draft Delegated Act makes some things simpler for banks given the reduced scope of the CSRD and reduced number of templates, as well as increased comparability by removing exposures to certain companies not reporting under the CSRD from the denominator, significant complexities remain. These concern the processes related to the assessment of the Taxonomy Technical screening criteria (including Do No Significant Harm and social safeguards) for "use of proceeds" (where the allocation of the proceeds of the loan are known) of exposures of corporates that banks need to evaluate on a case-by-case basis as well as retail exposures (mortgage, car loans etc.). We understand these complexities should be further addressed as part of the envisaged comprehensive review of the Green Asset Ratio referenced in the Omnibus initiative by the European Commission. In this context, we would welcome clear communication on the timeline of this much anticipated review.

To reduce complexity for reporting entities, automatization of reporting is critical. Banks have already made significant investments on IT and data management based on the current regulation. The temporary initial simplification would require additional investments in data management and processes that will have to be changed once again in line with the final design of the Green Asset Ratio. The temporary solution, although well intentioned, represents de facto and additional burdens and costs for banks.

Considering:

I. ***that the temporary initial simplification does not fully address the complexities and all shortcoming of GAR reporting and will be followed by further revision through a second Delegated Act (resulting from the full review of the GAR and the Taxonomy Delegated Acts),***

II. ***the cost associated with the proposed temporary solution,***

III. ***the complexity and lack of comparability resulting from reporting GARs under multiple frameworks and duplicative requirements,***

We request that you:

1) ***suspend the GAR reporting obligations for banks (under the Taxonomy Regulation Article 8 DDA) in the CSRD until the full review is completed.***

2) ***remove GAR reporting from the ITS on Pillar 3 Disclosures on ESG Risks (template 6-10).***

If there is no suspension, we suggest that banks have the option to use the existing methodology for taxonomy reporting until the final comprehensive revision. Even though this would make comparability even more difficult, it would avoid banks having to adjust their processes and systems twice in a short time without significant benefits.

EBA ESG Risk Management and ESG Scenario Analysis Guidelines

While the EBA Guidelines are based on the prudential framework for banks, in their preparation the EBA took existing legislation into consideration, notably the CSRD (both in its scope and reporting requirements), the ESRS and the CSDDD. Given that these laws are now being revised, we **would prefer to defer the ESG Risk Management Guidelines' application deadline – along with that of the upcoming guidelines on ESG Scenario Analysis - until the omnibus amendments are finalized, allowing the revision of the EBA Guidelines for consistency with the final versions of the CSRD/ESRS[1] and CSDDD**.

Should you be unable to defer the implementation date of the EBA ESG Risk Management and ESG Scenario Analysis Guidelines, we would urge that:

1. ***The EBA and the SSM issue a public statement defining phased-in implementation of the EBA Guidelines for banks and NCAs, taking into account the complexity of the individual EBA requirements and data availability***

2. ***A no-action letter be issued (no legal actions stemming from the EBA GL) as a complementary action***

We would be happy to engage with the EBA and the SSM on a phase-in approach for the EBA Guidelines and also to further engage on the comprehensive revision of the ESG-related financial sector regulation (including relevant components of CRD6 and CRR3) while the Omnibus initiative is being finalized to ensure consistency, simplification and harmonization across the entire EU ESG Framework. It is important that the European Commission takes a holistic approach to also ensure the requirements in sectoral legislation are consistent, including with data requirements of the CSRD.

ESG Risk considerations

We would also like to encourage the European Commission, in cooperation with the EBA and the supervisors (SSM) to:

- ***Ensure that supervisory expectations are aligned with the Commission's simplification efforts,*** *taking into account the resulting data availability. Pragmatic solutions need to be promoted in risk management and supervision to account for any possible data gaps.*

[1] For example, paragraph 28 of the EBA Guidelines defines granular ESG related requirements for exposures to large companies in reference to Article 3(4) of Directive 2013/34/EU, not the revised CSRD scope

- ***Ensure that global developments and a level playing field are being fully considered***. *For an orderly transition that will minimise transition risk and ensure global competitiveness and growth potential of EU banks, the financial sector must align with the pace of transition of clients and geographies in which they operate. The ESG risk provisions in prudential regulation coupled with supervisory expectations should be checked through the competitiveness lens and for consistency with post-omnibus sustainable finance legislation.*

- ***Avoid new ESG risk regulation and measures***. *Considering the results of the Fit for 55, we believe no new measures (e.g. macroprudential or concentration) would be justified from a risk perspective.*

Facilitation of reporting

Given the revised scope of the CSRD, we request that:

- ***The European Commission issues an annual ex-ante list of companies in the scope of CSRD for the next round of CSRD reporting***.

- ***The European Commission and Member States facilitate the provision of data and uptake of voluntary standardized ESG reporting.*** *Implementation support in the form of online tools and databases accessible to banks could significantly help companies' reporting. Support should range from the operation of dedicated websites, portals or platforms to financial support and facilitation of joint stakeholder initiatives. The provision of ESG data and information such as physical risk maps, GHG emissions (to effectively build a database with historical measurements), water consumption available in national administrative databases, and alignment of each new type of vehicle to the taxonomy would prove instrumental to achieve the objectives of the Green Deal.*

Finally, we would like to express concern about the challenges and ***disparities faced by entities impacted by the uneven implementation of the CSRD across Member States***. Given that several countries have not transposed CSRD, there is currently no legal basis for the submission or audit of a CSRD report in those member states. This has led to significant uncertainty regarding how multinational firms with subsidiaries in multiple member states will manage their compliance obligations under the transposition requirements with respect to FY2024. For example, certain subsidiary companies had originally intended to rely upon the parent reporting exemption. However, the lack of transposition has meant that parent companies (which are not subject to CSRD due to lack of transposition) are no longer obligated to prepare a sustainability statement in accordance with CSRD or have a mandatory assurance opinion by an auditor on CSRD reporting which the subsidiary could rely upon. The subsidiary companies impacted by this are now being required to prepare standalone sustainability reports under CSRD with short deadlines in order to meet their compliance obligations under the transposition of CSRD in their specific Member State***. We would therefore appreciate an explicit clarification that subsidiary exemptions are possible if the parent company makes voluntary CSRD disclosure at the group level.***

We thank you very much for your consideration. We would very much appreciate an opportunity to discuss our concerns and proposals with you directly.

Yours sincerely,

Wim Mijs
Chief Executive Officer
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